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**ARIZONA CORPORATION COMMISSION**

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September 5, 2003

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1200 West Washington  
Phoenix, Arizona 85007

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2003 SEP -8 P 4: 29  
ARIZONA CORPORATION COMMISSION  
DOCUMENT CONTROL

Re: APS Rate Case: E-01345A-03-0437

Dear Colleagues:

I invite you to review the attached document created using the information provided in APS' August 7 letter. APS' letter responded to my July 24 letter asking what APS' rate application would look like without presuming the inclusion of PWEC's assets in APS' rate base.

In Schedule A-1 of APS' Application, APS proposes a revenue increase of \$166.8M. In APS' August 7 letter, APS notes that of this \$166.8M, \$106.6M is to cover the costs of the PWEC assets. *Without the PWEC assets, APS' proposed revenue increase drops to \$68.4M* [(\$166.8M - \$106.6M) + \$8.2M CRCC surcharge = \$68.4M].

*This revised revenue requirement produces a rate increase of 3.80% for residential customers instead of APS' proposed 9.73% increase.*

APS' letter states that excluding the PWEC assets in the APS rate base would trigger other costs that APS did not include in its Application. I have invited APS to expand on this statement in APS' filed testimony. I look forward to their response.

Sincerely,

*Mike*

Mike Gleason  
Commissioner

Enclosure

c: Parties to the Docket

Arizona Corporation Commission  
**DOCKETED**

SEP 08 2003

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**Prorata adjustment to Exhibit A-1 of Standard Filing Requirements  
And Tarriff Submitted June 27, 2003 demonstrating removal of PWEC assets.  
Adjustment based on revenue requirement data from Pinnacle West letter to  
Commissioner Gleason August 7, 2003.  
(Dollars in Thousands)**

	<i>Without PWEC Assets</i>		<i>With PWEC Assets</i>	
	Projected Revenue Increase Due to Rates	% Increase	Projected Revenue Increase Due to Rates	% Increase
Residential	33,846	3.80%	86,586	9.73%
General Service	33,913	3.84%	86,758	9.82%
Irrigation	81	3.85%	207	9.86%
Outdoor Lighting	407	3.77%	1,041	9.64%
Dusk-to-Dawn	195	3.74%	498	9.58%
Total Increase in Revenue Requirements	68,442		175,090	

**Note that the August 7, 2003 Pinnacle West letter contains the following text:**

"Without the assumption that the new generating units would be included in rates (an assumption consistent with APS' stated intentions of the past year), APS would not have simply submitted the present rate filing less the revenue requirements impact of the new generation.

The entire rate application would have been significantly different.

In Mr. Robinson's Direct Testimony, he references cost-of-service adjustments that could legitimately have been made that would have further increased the APS revenue requirement but which were not requested by APS in the original application."